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SUBJECT: INDONESIA POSITION ON FRENCH "SOLIDARITY TAX"

REF: STATE 60006

¶1. (SBU) Summary. The Government of Indonesia (GOI) does not support the French proposal for an internationally-endorsed "solidarity tax" on air travel for development funding (Reftel), nor does the GOI levy airline ticket taxes for any other non-aviation purpose, according an official at the Ministry of Transportation (MOT). Indonesia funds airport operations through taxes ranging from Rp 30,000 (USD 3.40) for domestic departures to Rp 100,000 (USD 11) for international departures. Indonesian citizens and foreign non-diplomatic residents must make a Rp 1 Million (USD 114) income tax "prepayment" every time they travel outside of the country by air. Revenues from this tax are not allocated to a specific sector and flow into the central budget. Indonesia has no dedicated taxes to fund tourism, and taxes are not generally designated from a specific sector to fund specific development projects. End Summary.

Indonesia Does Not Support Airport Tax

¶2. (SBU) We met with Lilien Ambarwiyati, Deputy Director, International Air Transport, Directorate General of Air Communications in the Ministry of Transportation (MOT) on April 18 regarding the French proposal seeking APEC support for an airline ticket tax to support development. Ambarwiyati stated that the GOI and airlines in Indonesia would not support the French proposal, especially since the cost of airline tickets is already expensive for the average Indonesian passenger, and the tax would unfairly burden the airline industry. Ambarwiyati said she first learned of the French proposal following the APEC conference in Korea last year, when the Ministry of Finance (MOF) sought an opinion on the matter from the MOT. Minister of Transportation Hatta Rajasa responded with a letter to the MOF opposing the measure. However, Ambarwiyati was uncertain whether the GOI has taken a public position on the issue.

¶3. (SBU) When we described the reasons the U.S. opposes the tax, Ambarwiyati replied that "it seems the U.S. and Indonesia agree on this." She also noted that during the ASEAN Air Transportation Committee meeting last year, members informally shared similarly negative views of the proposal. However, ASEAN members Vietnam and Thailand nonetheless signed the declaration last September in support of further work on a "solidarity contribution".

Current Taxes Related to Travel

¶4. (SBU) Indonesia has a departure tax at its airports to help finance operations. Amounts vary from airport to airport and are most expensive at Jakarta's Soekarno-Hatta

International Airport (Rp 100,000 or USD 11 for international, Rp 30,000 or USD 3.40 for domestic). Revenues from the tax go to the MOT. In addition, Indonesia has a visa-on-arrival charge for tourists of USD 10 for a three-day visa and USD 25 for a 30-day visa, which must be paid in U.S. currency. Indonesian citizens and non-diplomatic foreign residents must also make a hefty Rp 1,000,000 (USD 114) income tax "prepayment" known as "fiskal" when they travel internationally by air. This means that an airline ticket to neighboring Malaysia, for example, can be less expensive than the departure tax. Before the riots of 1998, the departure tax was Rp 250,000 (about USD 28 at today's exchange rate). Former President Soeharto imposed the tax during this troubled time to discourage departures from the country. Subsequent administrations did not lower the tax. Indonesia's high departure tax means that some choose to travel to neighboring Singapore or Malaysia by ferry via the Indonesian port of Batam, where the departure tax is only Rp 50,000 (USD 57).

15. (SBU) Revenues from departure tax and visa-on-arrival go through the Directorate General of Immigration, under the Ministry of Law and Human Rights and eventually make their way to the central GOI budget. Indonesia has no dedicated taxes to fund tourism, and the GOI does not generally dedicate revenues from individual taxes to specific development projects.

16. (SBU) Comment: Additional taxes on air travel would be a blow to Indonesia's already ailing tourist sector, which has declined significantly in the wake of the October 2005 Bali bombing and rising concerns about avian influenza. As a relatively junior deputy director, Ambarwiyati will not

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control the final decision on this issue. However, she does wield significant influence as the lead official at the MOT over the fee structure of international air transportation.

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